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Other Transactions (OTs):

Allocation of IP Rights among University-Industry Partners

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and
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Outline

- OT Overview
- Penn State IP Position
- CASE I: Multi-Party with Articles of Collaboration
- CASE II: Industry Prime - University Subrecipient
- Observations

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OT Overview

Fundamentals

- OTs for Research
  - DoD Legally binding instrument (other than contract, grant, or cooperative agreement) for performing basic, applied, and advanced research and development [10 U.S.C. 2371]
- Other OT Types
  - Technology Investment Agreements (TIAs) [DDR&E memo of 2/3/99]
  - OTs for Prototypes [Sec. 845/804 NDAA]
- Conditions for Use
  - Not feasible using standard contracting vehicle
  - Does not duplicate research under existing programs
  - OTs for Research: Govt funding not to exceed total provided by recipients
- Basic Characteristics
  - Minimal Regulatory Requirements: FAR/DFARS don't apply; limited DoDGARS applicability
  - High degree of involvement of Govt Program Manager
  - Performance driven program plan - typically Milestone payments

OT Intellectual Property Provisions

- Allocation of Govt - Recipient Rights
  - Standard Bayh-Dole provisions as baseline
  - Less Govt rights as function of industry investment
- Allocation of Recipient - Subrecipient Rights -- flexibility in how Govt invokes
  - Dictate direct flow-down, or
  - Specify negotiable among Parties (subject to mandatory Flow-down of Govt Rights)

Penn State IP Position

Penn State is a Land Grant University
with Mission of Research, Teaching, and Public Service

- Objective
  - Balance Sponsor's ability to reasonable exploit commercially viable inventions, with University's responsibility to ensure public benefit from University research
- Basic Policy *
  - University maintains ownership of IP developed by University personnel
  - University offers option for license to provide Industry partner with competitive market advantage
  - Share of License consideration to Inventor(s)
- Rationale
  - Ownership must be maintained to ensure accountability and proper stewardship demanded by public
  - IP control allows fulfillment to fullest extent of research, educational, and commercial use

* *Consistent with Government-University-Industry Roundtable [*http://www4.nas.edu/pd/guirr.nsf*] "Intellectual Property Rights in Industry-Sponsored University Research" (Aug '93)*

Penn State IP Position

Penn State Applied Research Laboratory is a University Affiliated Research Center (UARC)

- Consistent with its UARC designation and unique role as a trusted Navy agent*, ARL has obligation to ensure that Govt has full access to any technology that ARL develops under Govt funding, per standard FAR/DFARS terms and conditions
- ARL Penn State negotiating position also considers:
  - Parties' background rights and work scope
  - Implications for ARL research program
  - Compatibility with established commercialization plan

* *Authorized by Competition in Contracting Act [10 U.S.C. 2304 (c) (3) (B)]*

CASE I: Multi-party Collaboration

Scenario

- OT involving multiple Industry and University Partners ("Participants")
  - Industry Partners responsible for covering cost share
- Consortium established, with Participants recognized and bound by Articles of Collaboration
- OT executed by Lead Participant on behalf of Consortium
- OT Patent Provisions
  - Allocation of Principal Rights consistent with Bayh-Dole
  - Allocation of Recipient - Subrecipient ownership and rights to be mutually agreed upon by Participants

CASE I: Multi-party Collaboration

Approach: Definition of Terms

- Consortium Intellectual Property
  - Developed under identified tasks assigned to and performed by a Party, whether performed under Govt funding or in-kind contribution
- Does not include:
  - Background Intellectual Property
  - Concurrently developed IP independently funded outside the Consortium
  - Continuation (improvement or subsequent) IP of the Parties except as performed under the agreement

CASE I: Multi-party Collaboration

Approach: Allocation of Rights

- Ownership determined as a function of individual inventorship
  - Exclusively developed by a Party, then exclusively owned
  - Jointly developed, then jointly owned
- Example Language...
  - *Each Party retains title to IP developed in the course of Consortium solely by its employees as result of performance under the agreement*
  - *Inventions jointly developed by employees of more than one Party are jointly owned by respective inventing Parties*

CASE I: Multi-party Collaboration

Approach: License Rights

- Reciprocal Grant of Rights among Parties to use Consortium IP solely in performance of agreement
  - Nontransferable, royalty free, non-exclusive, sub-licensable license
- Sub-licensable only if Party terminates its participation in Consortium
  - Solely for purpose of performing terminating party's tasks
  - Survives resignation of any terminating Party from Consortium

CASE II: Industry Partner as Prime

Scenario

- Industry Partner as OT Prime/Recipient, University as Subrecipient
  - Industry Partner covering entire cost share
- Specific Background IP of both parties to be utilized in performance of OT
- Subrecipient Agreement patent provision
  - Principal Allocation of Govt rights consistent with Bayh Dole
  - Allocation between Recipient and Subrecipient:

    ISSUE: Industry Partner desired ownership of all “Subject Inventions” - - unacceptable to University

CASE II: Industry Partner as Prime

Approach: Definition of Terms

- Define Background Rights
  - Specifically identify each Party's Background Rights to be used on project
  - Stipulate that if not identified, technology cannot be later claimed as such
- Tighten up SOW to clarify expectations
- Delineate invention categories as function of individual inventorship
  - *"ARL Penn State Inventions" means certain inventions and/or improvements made solely by employees of ARL Penn State in performance of this Agreement...*
  - *(same for "Industry Partner Inventions")*
  - *"Joint Inventions" means those inventions and/or improvements made in performance of the Agreement upon which employees of both Parties are named as legal inventors*
- Define "Subject Inventions" in terms of Categories to tie back to Principal allocation of Govt rights

CASE II: Industry Partner as Prime

Approach: Allocation of Rights

- Ownership determined as function of individual inventorship
  - Exclusively developed by a Party, then exclusively owned
  - Jointly developed, then Jointly owned
  - Precedence to Background Rights improvements
- Example Language…
  - *a) All rights and title to improvements to Background Rights shall belong to the party owning the Background Rights,*
  - *b) Notwithstanding a), all rights and title to ARL Penn State Inventions shall belong to ARL Penn State,*
  - *c) Notwithstanding a), all rights and title to Industry Partner Inventions shall belong to Industry Partner*
  - *d) Notwithstanding a), all rights and title to Joint Inventions shall be jointly owned*
- Invention Disclosure requirements to Industry Partner tied back to Govt disclosure requirements

CASE II: Industry Partner as Prime

Approach: License Rights

- Reciprocal Grant of Rights to use Background and Subject Inventions in performance of agreement
- Commercialization of Background and Subject Inventions
  - No-cost exclusive option to obtain exclusive, field limited, royalty bearing license under ARL Penn State Subject Inventions and Background Rights* for agreement term
  - No multiple royalties payable because any single licensed product is covered by more than one patent
- Commercialization of Joint Inventions
  - Industry Partner agrees to license its joint interest in Joint Inventions to ARL Penn State in all fields other than Field of Use, with right of sublicense to third parties
  - Share consideration

* *No cost option to Background rights not standard practice*

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Observations

- OT allocation of rights/ownership among Industry-University partners based on individual inventorship has been successful
  - Can be readily structured to be compatible with allocation of principal Govt rights
  - Is consistent with University mission
  - Seems to have acceptance among industry in OT consortium relationships
- OTs with Industry Primes (w/cost share) and University Subrecipient may still face issue of Project IP ownership; potentially overcome by:
  - Specifically establishing background rights baseline & tight SOW
  - Granting rights in improvements to Background Rights owner
  - Providing needed commercial advantage to Industry partner though options to project (and background) inventions